

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-02 IO-10 SS-15

NSC-05 PA-01 PRS-01 USIA-06 /096 W

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TO SECSTATE WASHDC 9497

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY MANILA

C O N F I D E N T I A L BONN 06314

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

MANILA PLEASE PASS TO TREASURY UNDER SECRETARY BENNETT

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: EC POSITION ON IMF ISSUES

REF: EC BRUSSELS 3437

1. SUMMARY. CONFIRMING REPORT IN REFTEL, EMMINGER
TELLS US THAT EC HAS AGREED ON A PROPOSAL FOR IMF
QUOTA REVISION, BUT SO FAR HAS BEEN UNABLE TO RESOLVE
DIFFERENCES ON OTHER OUTSTANDING IMF ISSUES. END
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SUMMARY.

2. BUNDESBANK VICE PRESIDENT EMMINGER (PLEASE PROTECT AND TREAT NOFORN) DURING A CONVERSATION THIS WEEK WITH THE FINANCIAL ATTACHE REVIEWED THE GERMAN AND EC POSITIONS ON INTERNATIONAL MONETARY ISSUES AFTER THE EC MONETARY COMMITTEE MEETING (SEE REFTEL). EMMINGER STRESSED THAT THE PROPOSAL TO REDUCE TO 15 PERCENT THE VOTE REQUIRED TO BLOCK IMPORTANT IMF DECISIONS WAS DESIRABLE COMPLETELY APART FROM A POSSIBLE REDUCTION OF THE US QUOTA. THE IMF OVER THE NEXT FEW YEARS WAS LIKELY TO ACQUIRE SOME NEW MEMBERS, INCLUDING EAST BLOC MEMBERS, AND FOR THIS REASON ALONE A REDUCTION OF THE PERCENTAGE NEEDED FOR A VETO WAS IN THE INTEREST OF NOT ONLY THE US, BUT ALSO THE EC COUNTRIES. WITHOUT GOING INTO DETAILS, EMMINGER SAID THAT THE MONETARY COMMITTEE ORALLY HAD AGREED ON A QUOTA ALLOCATION PROPOSAL WHICH WOULD, HOWEVER, REQUIRE THE US TO BE WILLING TO ACCEPT A QUOTA VERY SLIGHTLY BELOW 20 PERCENT. EMMINGER SAID THAT HE WAS NOT YET ONE HUNDRED PERCENT SURE THAT THE EC PROPOSAL ONCE REDUCED TO WRITING IN FACT WOULD BE FULLY ACCEPTABLE TO ALL EC COUNTRIES, AND HE REALIZED, OF COURSE, THAT THE US HAD INDICATED THAT IT IS OPPOSED TO A REDUCTION IN THE US QUOTA PERCENTAGE BELOW 20.8 PERCENT. EMMINGER THOUGHT THAT THE IMF QUOTA ISSUE MIGHT NOT BE RESOLVABLE BY THE G-10 DEPUTIES AND WOULD HAVE TO GO TO THE MINISTERS.

3. EMMINGER SAID THAT NO AGREEMENT HAD BEEN REACHED ON GOLD AND THAT HE FELT THAT THE BEST PROCEDURE WOULD BE TO EMPOWER THE IMF EXECUTIVE DIRECTORS TO DECIDE BY AN 85 PERCENT VOTE ON HOW AND WHEN IMF GOLD COULD BE DISPOSED OF AND HOW THE PROFITS SHOULD BE UTILIZED. THIS AT LEAST WOULD ESTABLISH A PROCEDURE BY WHICH DECISIONS COULD BE TAKEN IF AND WHEN APPROPRIATE AND ONCE BASIC DISAGREEMENTS HAD BEEN REMOVED. (COMMENT: ONE ADDITIONAL TECHNICAL/LEGAL PROBLEM WITH RETURNING GOLD TO MEMBER GOVERNMENTS WHO IN TURN WOULD USE PROFITS FOR TRUST FUND CONTRIBUTION OR OTHER WAYS OF AIDING LDC'S IS THAT, AT LEAST IN THE CASE OF GERMANY, CONFIDENTIAL

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THE RETURNED GOLD WOULD BELONG TO THE CENTRAL BANK WHICH WOULD FIND IT DIFFICULT TO MAKE ITS ASSETS AVAILABLE FOR AID PURPOSES.)

4. EMMINGER SAID THAT SO FAR THE EC HAS BEEN UNABLE TO AGREE ON AN AMENDMENT TO THE IMF ARTICLES TO LEGALIZE FLOATING. HE PERSONALLY THOUGHT THAT THE US PROPOSAL WAS A GOOD AND BALANCED ONE AND HOPED WE WOULD

STICK WITH IT. THE FRG, HOWEVER, ALSO WOULD HAVE NO
PRACTICAL DIFFICULTY WITH A TEMPORARY LEGITIMIZATION
OF FLOATING SUBJECT TO CERTAIN RULES AND CONDITIONS.
THE GERMAN FLOAT IN FACT MET ALL CONDITIONS THAT
ANYONE HAD SUGGESTED IN THE DISCUSSION OF THIS TOPIC.
HILLENBRAND

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